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## **C.P. POKPHAND CO. LTD.**

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 43)*

### **A. ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **AND**

### **B. CLARIFICATION REGARDING OFFICE TENANCY AGREEMENT**

#### **A. UNAUDITED CONSOLIDATED RESULTS**

The board of directors (the “Board”) of C.P. Pokphand Co. Ltd. (the “Company” or “CPP”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>4,045,684</b>	3,237,381
Cost of sales		<b>(3,092,287)</b>	(2,705,439)
		<b>953,397</b>	531,942
Gross profit		<b>(13,792)</b>	(46,053)
Net change in fair value of biological assets	5		
		<b>939,605</b>	485,889
Other income, net	6	<b>23,649</b>	19,112
Selling and distribution costs		<b>(161,870)</b>	(144,764)
General and administrative expenses		<b>(188,454)</b>	(161,586)
Finance costs	7	<b>(62,412)</b>	(70,169)
Share of profits and losses of:			
Joint ventures		<b>1,971</b>	973
Associates		<b>13,339</b>	9,599
		<b>565,828</b>	139,054
<b>PROFIT BEFORE TAX</b>	8	<b>565,828</b>	139,054
Income tax	9	<b>(117,278)</b>	(34,604)
		<b>448,550</b>	104,450
<b>PROFIT FOR THE PERIOD</b>		<b>448,550</b>	104,450

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(Continued)*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:		
Equity investments at fair value through other comprehensive income (non-recycling)	2,718	4,303
Income tax effect	(680)	(1,076)
Disposal of other financial assets	—	638
	<u>2,038</u>	<u>3,865</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences related to translation of foreign operations	(19,704)	287
Share of other comprehensive income of:		
Joint ventures	(229)	(18)
Associates	(2,073)	108
	<u>(22,006)</u>	<u>377</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>	<u>(19,968)</u>	<u>4,242</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>428,582</u></u>	<u><u>108,692</u></u>
<b>Profit attributable to:</b>		
Shareholders of the Company	322,110	82,472
Non-controlling interest	126,440	21,978
	<u><u>448,550</u></u>	<u><u>104,450</u></u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(Continued)*

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		<b>303,849</b>	87,729
Non-controlling interest		<b>124,733</b>	20,963
		<u><b>428,582</b></u>	<u>108,692</u>
		<u><u><b>428,582</b></u></u>	<u><u>108,692</u></u>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>			
<b>OF THE COMPANY</b>	11	<i>US cents</i>	<i>US cents</i>
Basic and diluted		<b>1.272</b>	0.326
		<u><b>1.272</b></u>	<u>0.326</u>

Details of the interim dividend are disclosed in note 10 to this interim financial information.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020	31 December 2019
<i>Note</i>		<i>US\$'000</i> (Unaudited)	<i>US\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,152,402	1,988,328
Investment properties		7,703	11,904
Land use rights		205,426	207,105
Other right-of-use assets		448,872	421,209
Non-current biological assets		77,181	66,350
Intangible assets		31,389	33,375
Investments in joint ventures		18,657	16,915
Investments in associates		115,535	145,547
Other financial assets		19,703	17,206
Goodwill		34,522	35,030
Other non-current assets		67,627	69,918
Deferred tax assets		10,752	12,154
		<b>3,189,769</b>	<b>3,025,041</b>
<b>CURRENT ASSETS</b>			
Inventories		782,166	753,403
Current biological assets		584,988	571,946
Trade and bills receivables	12	323,448	258,011
Prepayments, deposits and other receivables		265,482	295,081
Pledged deposits		11,507	17,699
Time deposits with maturity over three months		9,761	2,293
Cash and cash equivalents		639,093	422,364
		<b>2,616,445</b>	<b>2,320,797</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	379,905	446,116
Other payables and accruals		581,411	559,094
Lease liabilities		41,249	36,749
Bank borrowings		1,379,967	1,174,796
Income tax payables		54,928	21,390
		<b>2,437,460</b>	<b>2,238,145</b>
<b>Total current liabilities</b>		<b>2,437,460</b>	<b>2,238,145</b>
<b>NET CURRENT ASSETS</b>		<b>178,985</b>	<b>82,652</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,368,754</b>	<b>3,107,693</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

	<b>30 June 2020</b>	31 December 2019
<i>Note</i>	<b>US\$'000</b>	<b>US\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>464,600</b>	440,361
Bank borrowings	<b>543,833</b>	548,180
Corporate bond	<b>11,606</b>	11,833
Other non-current liabilities	<b>54,443</b>	57,908
Deferred tax liabilities	<b>73,155</b>	82,373
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>1,147,637</b>	1,140,655
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>2,221,117</b>	1,967,038
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<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Issued capital	<b>253,329</b>	253,329
Reserves	<b>1,371,732</b>	1,216,998
Dividend	<b>97,434</b>	77,947
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	<b>1,722,495</b>	1,548,274
Non-controlling interest	<b>498,622</b>	418,764
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<b>TOTAL EQUITY</b>	<b>2,221,117</b>	1,967,038
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## NOTES

### 1. BASIS OF PREPARATION

This interim financial information is unaudited and has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the “IASB”) and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of this interim financial information are consistent with those adopted in the annual financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB, except for the new standards and amendments to IFRSs that are first effective for the current period which are as set out in note 2 below. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The IASB has issued a number of new standards, amendments to IFRSs and interpretation that are first effective for the current interim period. Of these, the following new standards, amendments and interpretation may be relevant to the Group:

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

None of the amendments have had a significant financial effect on this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current period.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following three reportable operating segments based on their products and services:

- the China agri-food segment is engaged in (i) manufacture and sale of animal feed, (ii) breeding, farming and sale of livestock and aquatic animals, and (iii) manufacture and sale of food products in the People’s Republic of China (the “PRC”);
- the Vietnam agri-food segment is engaged in (i) manufacture and sale of animal feed, (ii) breeding, farming and sale of livestock and aquatic animals, and (iii) manufacture and sale of food products in the Socialist Republic of Vietnam (“Vietnam”); and
- the investment and property holding segment is engaged in leasing properties owned by the Group and investments in group companies.

### **3. OPERATING SEGMENT INFORMATION** *(Continued)*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income and finance costs on bank borrowings and corporate bond are excluded from such measurement.

Segment assets exclude pledged deposits, time deposits, cash and cash equivalents and deferred tax assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, corporate bond, income tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Revenue from contracts with customers is recognised at a point in time when our customer obtains control of promised goods, i.e. when the products are collected by the customers from our premises or when the products are delivered to the location designated by the customers. Disaggregation of revenue from major product lines is disclosed in note 3(a) and 4. Disaggregation of revenue by geographical location of customers is disclosed in note 3(b)(i).

The remaining performance obligation is part of a contract that has an original expected duration of one year or less, therefore such information is not disclosed as a practical expedient in paragraph 121 of IFRS 15.

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (a) Reportable operating segments

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group's reportable operating segments during the period.

#### Six months ended 30 June 2020

	China agri-food operations US\$'000 (Unaudited)	Vietnam agri-food operations US\$'000 (Unaudited)	Investment and property holding operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
<b>Segment revenue</b>				
Sales to external customers	2,370,062	1,675,506	116	4,045,684
Intersegment sales	–	403	–	403
	<u>2,370,062</u>	<u>1,675,909</u>	<u>116</u>	<u>4,046,087</u>
Reconciliation:				
Elimination of intersegment sales				<u>(403)</u>
Consolidated revenue				<u>4,045,684</u>
<b>Segment results</b>				
The Group	117,975	478,468	(9,243)	587,200
Share of profits and losses of:				
Joint ventures	1,995	(24)	–	1,971
Associates	13,339	–	–	13,339
	<u>133,309</u>	<u>478,444</u>	<u>(9,243)</u>	<u>602,510</u>
Reconciliation:				
Bank interest income				4,461
Finance costs on bank borrowings and corporate bond				(41,113)
Elimination of intersegment results				<u>(30)</u>
Profit before tax				<u>565,828</u>
<b>Other segment information</b>				
Depreciation and amortisation	54,058	63,700	523	118,281
Capital expenditure*	127,984	103,259	16	231,259
Additions of other non-current assets**	<u>43,979</u>	<u>74,294</u>	<u>–</u>	<u>118,273</u>

\* Including additions to property, plant and equipment and land use rights, but excluding assets from acquisition of subsidiaries.

\*\* Including (i) non-current assets from acquisition of subsidiaries, and (ii) additions to other right-of-use assets, non-current biological assets and other non-current assets.



**3. OPERATING SEGMENT INFORMATION** *(Continued)*

**(a) Reportable operating segments** *(Continued)*

**At 30 June 2020**

	<b>China agri-food operations US\$'000 (Unaudited)</b>	<b>Vietnam agri-food operations US\$'000 (Unaudited)</b>	<b>Investment and property holding operations US\$'000 (Unaudited)</b>	<b>Total US\$'000 (Unaudited)</b>
<b>Segment assets</b>	<b><u>2,860,166</u></b>	<b><u>2,208,744</u></b>	<b><u>397,302</u></b>	<b>5,466,212</b>
Reconciliation:				
Elimination of intersegment receivables				(331,111)
Unallocated assets				<u>671,113</u>
Total assets				<u><b>5,806,214</b></u>
<b>Segment liabilities</b>	<b><u>1,136,906</u></b>	<b><u>711,691</u></b>	<b><u>4,122</u></b>	<b>1,852,719</b>
Reconciliation:				
Elimination of intersegment payables				(331,111)
Unallocated liabilities				<u>2,063,489</u>
Total liabilities				<u><b>3,585,097</b></u>
<b>Other segment information</b>				
Investments in joint ventures	18,480	177	–	18,657
Investments in associates	<u>115,535</u>	<u>–</u>	<u>–</u>	<u>115,535</u>

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (a) Reportable operating segments *(Continued)*

Six months ended 30 June 2019

	China agri-food operations <i>US\$'000</i> (Unaudited)	Vietnam agri-food operations <i>US\$'000</i> (Unaudited)	Investment and property holding operations <i>US\$'000</i> (Unaudited)	Total <i>US\$'000</i> (Unaudited)
<b>Segment revenue</b>				
Sales to external customers	1,995,869	1,241,397	115	3,237,381
<b>Segment results</b>				
The Group	128,095	50,752	(5,077)	173,770
Share of profits and losses of:				
Joint ventures	991	(18)	–	973
Associate	9,599	–	–	9,599
	138,685	50,734	(5,077)	184,342
Reconciliation:				
Bank interest income				2,203
Finance costs on bank borrowings and corporate bond				(47,491)
Profit before tax				139,054
<b>Other segment information</b>				
Depreciation and amortisation	47,182	62,827	514	110,523
Capital expenditure*	62,663	63,686	7	126,356
Additions of other non-current assets**	43,121	78,201	–	121,322

\* Including additions to property, plant and equipment and land use rights.

\*\* Including additions to other right-of-use assets, non-current biological assets and other non-current assets.

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (a) Reportable operating segments *(Continued)*

At 31 December 2019

	China agri-food operations <i>US\$'000</i> (Audited)	Vietnam agri-food operations <i>US\$'000</i> (Audited)	Investment and property holding operations <i>US\$'000</i> (Audited)	Total <i>US\$'000</i> (Audited)
<b>Segment assets</b>	<u>2,789,062</u>	<u>2,035,781</u>	<u>436,643</u>	5,261,486
Reconciliation:				
Elimination of intersegment receivables				(370,158)
Unallocated assets				<u>454,510</u>
Total assets				<u>5,345,838</u>
<b>Segment liabilities</b>	<u>1,224,729</u>	<u>681,527</u>	<u>4,130</u>	1,910,386
Reconciliation:				
Elimination of intersegment payables				(370,158)
Unallocated liabilities				<u>1,838,572</u>
Total liabilities				<u>3,378,800</u>
<b>Other segment information</b>				
Investments in joint ventures	16,713	202	–	16,915
Investments in associates	<u>145,547</u>	<u>–</u>	<u>–</u>	<u>145,547</u>

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (b) Geographical information

##### (i) Revenue from external customers

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Mainland China	2,369,453	1,995,342
Vietnam	1,641,084	1,216,160
Elsewhere	35,147	25,879
	<u>4,045,684</u>	<u>3,237,381</u>

The revenue information shown above is based on the location of the customers.

##### (ii) Non-current assets

	30 June	31 December
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Mainland China	1,964,324	1,909,582
Vietnam	1,135,341	1,026,309
Elsewhere	59,649	59,790
	<u>3,159,314</u>	<u>2,995,681</u>

The non-current assets information shown above is based on the location of assets and excludes other financial assets and deferred tax assets.

#### 4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
<i>(within the scope of IFRS 15)</i>		
Sales of goods from:		
China agri-food operations		
– Feed business	1,791,647	1,568,962
– Farm business	413,914	304,697
– Food business	164,501	122,210
Vietnam agri-food operations		
– Feed business	435,130	461,441
– Farm business	1,169,696	734,022
– Food business	70,680	45,934
	<u>4,045,568</u>	<u>3,237,266</u>
<i>Revenue from other sources</i>		
Rental income from investment and property holding operations	116	115
	<u>116</u>	<u>115</u>
	<u>4,045,684</u>	<u>3,237,381</u>

#### 5. NET CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS

Net change in fair value of biological assets represents the difference in fair value from 1 January 2020 to 30 June 2020. Net fair value change consists of (i) negative realised fair value changes of US\$257,748,000 (six months ended 30 June 2019: US\$152,772,000) in respect of biological assets held as at 1 January 2020 and (ii) positive unrealised fair value changes of US\$243,956,000 (six months ended 30 June 2019: US\$106,719,000) in respect of biological assets stated at fair value as at 30 June 2020.

## 6. OTHER INCOME, NET

An analysis of other income, net, is as follows:

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Bank interest income	4,461	2,203
Other interest income	2,781	4,043
Rental income	1,030	1,593
Government grants	11,073	5,084
Income from sales of consumables and packaging materials	2,785	3,143
Net changes in fair value of derivative financial instruments	(2,140)	1,117
Foreign exchange differences, net	1,985	(318)
Others	1,674	2,247
	<u>23,649</u>	<u>19,112</u>

Government grants included above are subsidies or incentives from the government in respect of certain investments of the Group in the agricultural industry and areas promoted by the government in the PRC. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Interest expense on bank borrowings	45,626	49,655
Interest expense on corporate bond	251	2,964
Interest expense on lease liabilities	21,299	22,678
Less: Interest expense capitalised*	(4,764)	(5,128)
	<u>62,412</u>	<u>70,169</u>

\* Interest expense was capitalised at a rate of 3.8% - 4.9% per annum (six months ended 30 June 2019: 4.9% - 5.3%).

## 8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Cost of inventories sold	3,092,287	2,705,439
Depreciation of property, plant and equipment	69,313	62,816
Amortisation of land use rights	2,542	2,309
Depreciation of other right-of-use assets	22,063	22,835
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	22,854	21,292
Amortisation of intangible assets	1,509	1,271
Impairment of trade receivables, net	669	655
Loss on disposal of property, plant and equipment, net	2,173	7

## 9. INCOME TAX

No provision for Hong Kong profits tax has been made for the period as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2019: nil).

The subsidiaries operating in the PRC and Vietnam are subject to income tax at the rate of 25% (six months ended 30 June 2019: 25%) and 20% (six months ended 30 June 2019: 20%) respectively on their taxable income according to the PRC and Vietnam corporate income tax laws. In accordance with the relevant tax rules and regulations in the PRC and Vietnam, certain subsidiaries of the Group in the PRC and Vietnam enjoy income tax exemptions or reductions.

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Current – the PRC		
Charge for the period	45,457	47,607
Over-provision in prior years	(4,784)	(5,218)
Current – Vietnam		
Charge for the period	84,951	15,533
Deferred	(8,346)	(23,318)
Total tax expense for the period	117,278	34,604

## 10. INTERIM DIVIDEND

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Special – HK\$0.008 (equivalent to approximately US 0.103 cents) (six months ended 30 June 2019: nil) per ordinary share and convertible preference share	25,983	–
Interim – HK\$0.03 (equivalent to approximately US 0.385 cents) (six months ended 30 June 2019: HK\$0.008) (equivalent to approximately US 0.103 cents) per ordinary share and convertible preference share	97,434	25,982
	<u>123,417</u>	<u>25,982</u>

To mark the Group's 40 years in China, and as a token of appreciation for shareholders' support of the Company, the special dividend was declared by the Board on 13 May 2020 and paid on 30 June 2020 to the shareholders of the Company.

The interim dividend in respect of the six months ended 30 June 2020 was declared by the Board on 13 August 2020. The interim dividend was calculated based on the number of shares in issue on the date of this announcement.

## 11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to shareholders of the Company and the weighted average number of ordinary shares and convertible preference shares in issue during the period.

The calculation of basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	322,110	82,472



## 11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(Continued)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares and convertible preference shares in issue during the period, used in the basic and diluted earnings per share calculation	<b>25,332,914,980</b>	25,332,914,980

## 12. TRADE AND BILLS RECEIVABLES

Depending on the requirements of the market and business, the Group may extend credit to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management and interest may be charged by the Group for overdue trade receivables at rates determined by the Group with reference to market practice. In the opinion of the directors, there is no significant concentration of credit risk. An aging analysis of the Group's trade and bills receivables, based on the date of delivery of goods, is as follows:

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
60 days or below	282,218	219,916
61 to 180 days	36,036	31,582
Over 180 days	5,194	6,513
	<b>323,448</b>	258,011

### 13. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the date of receipt of goods, is as follows:

	<b>30 June 2020 US\$'000 (Unaudited)</b>	31 December 2019 US\$'000 (Audited)
60 days or below	<b>310,099</b>	312,496
61 to 180 days	<b>46,988</b>	30,032
Over 180 days	<b>11,495</b>	8,517
	<b>368,582</b>	351,045
Bills payable	<b>11,323</b>	95,071
	<b>379,905</b>	446,116

### 14. EVENTS AFTER THE REPORTING PERIOD

- (i) On 23 July 2020, the Group held a meeting with its corporate bond holders and obtained their approval on early repayment by the Group. Hence, instead of the original repayment date in November 2021, the Group had repaid the corporate bond on 3 August 2020. As this is a non-adjusting subsequent event, the corporate bond with a carrying amount of US\$11,606,000 was included in non-current liabilities on the face of the consolidated statement of financial position as at 30 June 2020.
- (ii) On 31 July 2020, the Company entered into a 5-year syndicated term loan facility agreement with Bank of Communications Co., Ltd. Hong Kong Branch and other lenders (together, the "Lenders") and Nanyang Commercial Bank Limited, as agent relating to a US\$400 million facility (the "Facility") made available to the Company by the Lenders. The Facility will be used for refinancing existing indebtedness under a US\$600 million term loan facility and some other existing indebtedness, as well as general working capital of the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS**

For the six months ended 30 June 2020 (“1H20”), profit attributable to shareholders of the Group increased from US\$82 million in the first half of 2019 (“1H19”) to US\$322 million. This profit growth was primarily due to a significant increase in swine prices in Vietnam in 1H20 as compared to that in 1H19, resulting in higher profit margin from the Vietnam farming business.

In 1H20, the Group’s revenue increased 25.0% to US\$4,046 million (1H19: US\$3,237 million). Agri-food business in China contributed 58.6% of the Group’s revenue while agri-food business in Vietnam contributed the other 41.4%. Gross profit margin in 1H20 was 23.6% (1H19: 16.4%).

Basic and diluted earnings per share for the six months ended 30 June 2020 were both US 1.272 cents (1H19: US 0.326 cents). The Board has resolved to declare an interim dividend per share of HK\$0.03 for the six months ended 30 June 2020 (1H19: HK\$0.008).

### **BUSINESS REVIEW**

#### **Agri-food Business in China**

The outbreak of COVID-19 caused some operational delays and disruptions to the Group’s businesses at the beginning of the year. As a leading feed manufacturer in China, we strive to maintain our production so as to enable a stable supply in the agri-food industry chain. Performance wise, our China feed business maintained solid results in 1H20. For our farm and food businesses, several locations situated in hard hit areas during the initial COVID-19 outbreak were impacted as a result of logistical issues.

The African swine fever situation in China started to come under control in 1H20 but swine prices remained high. This situation motivated scaled farmers who have financial resources to increase production. With a focus on the commercial segment, we captured the opportunities arose from these large-scale farms who are gradually replenishing swine inventory and increased our swine feed sales during the period.

In 1H20, revenue of the Group’s agri-food business in China grew by 18.7% to US\$2,370 million (1H19: US\$1,996 million). Feed business accounted for 75.6% of agri-food business revenue in China while farm and food businesses combined contributed the remaining 24.4%. Overall gross profit margin for the Group’s China agri-food business decreased from 16.6% in 1H19 to 14.0% in 1H20. Feed business margin remained solid but the performance of our farm and food businesses were impacted by COVID-19 as discussed above.

The Group’s overall China feed sales volume increased 16.3% to 3.94 million tons and feed revenue increased 14.2% to US\$1,792 million in 1H20. Swine feed continued to be the largest component of the Group’s China feed segment, accounting for 47.2% of revenue in this segment. Poultry feed, aqua feed, other feed products and premix contributed the other 34.9%, 6.8%, 6.8% and 4.3%, respectively.

During the period, swine feed sales volume in China increased 2.5% to 1.80 million tons and revenue increased 3.5% to US\$845 million. This increase was mainly due to the gradual replenishment of swine inventory in China. With a tight supply of pork, poultry market in China expanded. At the same time, the Group also increased poultry feed marketing and enhanced its poultry feed formulation. As a result, the Group's poultry feed sales volume increased 42.0% to 1.60 million tons while revenue increased 41.3% to US\$625 million. Aqua feed sales volume decreased 10.6% to 0.19 million tons and revenue decreased 9.4% to US\$121 million, reflecting a decline in demand of crayfish feed.

Combined farm and food revenue in China increased 35.5% to US\$578 million in 1H20. While we continued to ramp up our food production factories and strive to increase the sales of our farm and food products, the outbreak of COVID-19 inevitably caused some operational delays and disruptions. These issues lowered the margin of our combined farm and food businesses.

### **Agri-food Business in Vietnam**

In Vietnam, the outbreak of African swine fever across the country in 2019 caused a sizable decline in swine population. Shortage in supply caused swine prices to rise sharply towards the end of 2019. In 1H20, as African swine fever remained a threat to the industry, farmers were reluctant to restock and high swine prices continued into the period. Higher swine prices were beneficial to our swine farming business, but lower swine population in Vietnam affected the demand for swine feed. Compared to some other countries, the impact of COVID-19 on Vietnam's local economy were, relatively, less severe. Overall, our Vietnam agri-food business remained strong.

The Group's agri-food business revenue in Vietnam increased 35.0% to US\$1,676 million in 1H20 (1H19: US\$1,241 million). Feed business accounted for 26.0% of agri-food business revenue in Vietnam while farm and food businesses combined accounted for the remaining 74.0%. Gross profit margin for the Group's Vietnam agri-food business leapt to 37.1% (1H19: 16.1%), mainly due to increased margin from our swine farming business.

In 1H20, total feed sales volume in Vietnam decreased by 10.4% year-on-year to 0.79 million tons. Revenue of the Group's feed business in Vietnam declined 5.7% to US\$435 million; of which, swine, poultry, aqua and other feed products accounted for 26.2%, 23.6%, 48.6% and 1.6%, respectively. Our swine feed sales reduced along with the lower swine population in Vietnam. On the other hand, increased demand for shrimp feed, which has higher average selling prices, partially offset the decline in overall feed sales.

Combined revenue of the Group's farm and food businesses in Vietnam was US\$1,240 million in 1H20 (1H19: US\$780 million). Swine farming continued to be the major revenue contributor of this segment. Favourable swine prices during the period lifted the performance of farm and food businesses. The average selling price of our fattening pigs in 1H20 was approximately VND77,800 per kg while the average selling price was approximately VND40,900 per kg in 1H19 – an increase of 90.2% year-on-year.

## **OUTLOOK**

Looking ahead, in view of market uncertainties – especially on animal protein prices and the COVID-19 situation – we remain cautious for the second half of 2020.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2020, the Group had total assets of US\$5,806.2 million, representing an increase of 8.6% as compared to US\$5,345.8 million as at 31 December 2019.

Net debt (30 June 2020: US\$1,275.0 million, 31 December 2019: US\$1,292.5 million) to equity ratio (defined as total bank borrowings and corporate bond minus cash and deposits divided by total equity) was 0.57 as compared to 0.66 as at 31 December 2019.

Total bank borrowings and corporate bond of the Group are denominated in US\$ (30 June 2020: US\$664.0 million, 31 December 2019: US\$672.1 million), Vietnamese Dong (“VND”) (30 June 2020: US\$368.3 million, 31 December 2019: US\$343.5 million) and RMB (30 June 2020: US\$903.1 million, 31 December 2019: US\$719.2 million).

As at 30 June 2020, the Group’s current portion of long-term borrowings amounted to US\$392.1 million (31 December 2019: US\$330.0 million) and fixed interest rate borrowings amounted to US\$597.3 million (31 December 2019: US\$361.0 million). During the period, the Group has entered into interest rate swap contracts to manage its interest rate exposure for the floating interest rate borrowings. As at 30 June 2020, the aggregate notional principal amount of these outstanding derivative financial instruments was US\$141.1 million.

All domestic sales in the PRC and Vietnam are transacted in RMB and VND respectively and export sales are transacted in foreign currencies. Foreign currencies are required for purchase of certain raw materials, equipment etc. The Group monitors foreign exchange movements and determines appropriate hedging activities when necessary. During the period, the Group has entered into forward exchange contracts to manage its exchange rate exposures of US\$ denominated liabilities against RMB and VND. As at 30 June 2020, the aggregate notional principal amount of these outstanding derivative financial instruments for US\$ against RMB was US\$148.8 million.

## **CAPITAL STRUCTURE**

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The Group had time deposits and cash and cash equivalents of US\$648.9 million as at 30 June 2020, an increase of US\$224.2 million as compared to 31 December 2019.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2020, out of the total borrowings of US\$1,935.4 million (31 December 2019: US\$1,734.8 million) obtained by the Group, US\$178.4 million (31 December 2019: US\$186.7 million) was secured and accounted for 9.2% (31 December 2019: 10.8%) of the total borrowings. Certain of the Group's property, plant and equipment and land use rights with an aggregate net book value of US\$223.6 million (31 December 2019: US\$207.7million) were pledged as security.

## **CONTINGENT LIABILITIES**

Guarantees were given by certain subsidiaries in the Group to financial institutions in the PRC for certain indebtedness of independent third party customers of the Group. In the case of financial guarantees provided which exceed the net asset value of the relevant subsidiaries, our maximum contingent liabilities are limited to the net asset value of these subsidiaries. The net asset value of the relevant subsidiaries as at 30 June 2020 was approximately US\$20.4 million (31 December 2019: US\$21.2 million). The contingent liabilities of the Group in respect of such guarantees as at 30 June 2020 were US\$8.4 million (31 December 2019: US\$10.5 million).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2020, the Group employed around 47,000 staff in the PRC, Vietnam and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market conditions while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend for the six months ended 30 June 2020 in the amount of HK\$0.03 (six months ended 30 June 2019: HK\$0.008) per share to the ordinary share holders and convertible preference share holders of the Company. The interim dividend will be paid on 30 October 2020 to ordinary share holders and convertible preference share holders whose names appear on the registers of members of the Company on 16 October 2020.

## **CLOSURE OF THE REGISTERS OF MEMBERS**

The registers of members holding ordinary shares and convertible preference shares of the Company respectively will be closed from 15 October 2020 to 16 October 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for 2020, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 14 October 2020.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining a high corporate governance standard. The principles of which are to uphold a high standard of ethics, transparency, accountability and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

In the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2020.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”), as the code of conduct for dealings in the Company’s securities by its directors. In response to a specific enquiry by the Company, all directors of the Company have confirmed that they complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

## **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended 30 June 2020 are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report will be included in the interim report to be sent to shareholders of the Company.

The audit committee of the Company has also reviewed the interim results for the six months ended 30 June 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

## **B. CLARIFICATION REGARDING OFFICE TENANCY AGREEMENT**

Reference is made to the announcement (the “Original Announcement”) of the Company dated 10 April 2020 in relation to the Office Tenancy Agreement. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Original Announcement.

As disclosed in the Original Announcement, on 10 April 2020, CTI entered into the Office Tenancy Agreement with CPQS, pursuant to which CTI would rent the Premises which are part of a property owned and developed by CPQS, with a term of three years from 10 April 2020 to 9 April 2023 (the “Transaction”). Subsequent on 14 May 2020, the same parties agreed in a supplemental agreement that the three year term would be revised to run from 15 May 2020 to 14 May 2023. The Original Announcement stated that the Transaction would be treated as a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The Company wishes to clarify that, under the latest applicable financial reporting standards, the Transaction should instead be classified as a connected transaction of the Company.

According to IFRS 16 *Leases* which became effective from 1 January 2019, the Group, with its subsidiary being the lessee, shall recognize a lease as a right-of-use asset and a lease liability in the consolidated statement of financial position of the Group. Accordingly, the Transaction should be regarded as an acquisition of asset under the definition set out in Rule 14.04(1)(a) of the Listing Rules. The value of the right-of-use asset recognised under the Transaction is RMB65.0 million (approximately US\$9.2 million). The amount of lease liability recognised under the Transaction is the same amount.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Save for the information stated above, all the information in the Original Announcement remains unchanged.

By Order of the Board  
**Arunee Watcharananan**  
*Director*

Hong Kong, 13 August 2020

*As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Soopakij Chearavanont, Mr. Adirek Sripratak, Mr. Suphachai Chearavanont, Mr. Narong Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mrs. Arunee Watcharananan and Mr. Yu Jianping; two non-executive directors, namely, Mr. Meth Jiaravanont and Mr. Yoichi Ikezoe; and five independent non-executive directors, namely, Mr. Vinai Vittavasgarnvej, Mrs. Vatchari Vimooktayon, Mr. Cheng Yuk Wo, Professor Dr. Pongsak Angkasith and General Udomdej Sitabutr.*